

# Planning for Fund 27 under the IDEA Maintenance of Effort Requirement

*Individuals with Disabilities Education Act*

Federal Funding Conference  
February 2019

# Keep Me on Track...

## ❖ 1505 SE Reconciliation Report

- What we learned
- Why it matters
- What we need to do this year

## ❖ Impact on MOE results

- Transition Incentive Grants (aid) and Transition Readiness Grants
- Increase in available special education state categorical aid
- Open enrollment – new option for special education aid transfer amount

## ❖ Ways You Can and Cannot Control Fund 27 Costs

- Can – plan a “fill the gap” year
- Cannot - miscode special education costs

# 1505 SE Reconciliation Report

- ❖ Located within WISEgrants, it compares what the LEA submitted on its 1505 SE annual report as grant funded (project 340) to what the LEA claimed through WISEgrants under IDEA.
- ❖ For the first go around, more than half of the LEAs had reconciliation issues. Some were quickly resolved, some have yet to be resolved.
- ❖ This was only an examination of aggregate amounts. The number of reconciliation issues increased when we attempted to do a line by line comparison between annual report expenditures and IDEA claim line items.

# Why It Matters to MOE

Even though IDEA grant funded costs (project 340) are not used in the MOE expenditure comparisons, incorrectly recording these expenditures in the annual report skews the MOE test results.

- ❖ If the LEA records more expenditures to project 340 than was actually received in IDEA revenue, the LEA lowered the amount of local costs reported - which can either lead to failing MOE compliance or fraudulently lowering the LEA's local MOE threshold amount.
- ❖ In addition, if some of those expenditures were eligible for state categorical aid but incorrectly identified as grant funded, the LEA receives neither federal aid nor state aid for those eligible costs.

# Over reporting the project 340 amount

SE Annual - Project 340	IDEA Claimed - Project 340	Difference
\$229,542	\$182,560	\$46,982

**By over reporting the amount charged to the IDEA grant, the LEA lowered their actual local costs by \$46,982. This can impact the test results in two different ways.**

Maintenance of Effort for Compliance is failing by \$6,654.95				
Comparison Difference	State & Local	Local Only	State & Local Student per Capita	Local Only Student per Capita
	(\$6,654.95)	(\$42,272.03)	(\$73,675.35)	(\$92,062.00)
	Failed	Failed	Failed	Failed

For the PI-1505 SE annual financial submission, the LEA reported \$2,663,666 in expenditures coded to project 011 and 019 and a transfer amount of \$1,790,000. However, there were \$46,982 in expenditures coded to project 340 that were never actually claimed in WISEgrants. When the LEA reclassifies these costs from project 340 to project 011 or 019, the State & Local and Local Only tests will switch from failed to met.

Maintenance of Effort for Compliance is met				
Comparison Difference	State & Local	Local Only	State & Local Student per Capita	Local Only Student per Capita
	\$6,654.95	\$42,272.00	(\$73,675.35)	(\$92,062.00)
	Met	Met	Failed	Failed

If, instead of failing all four MOE tests, the LEA actually increased local costs – but by over reporting grant costs, is setting a new, false local threshold for the following year. The increase between comparison years is under reported, and should actually be \$53,637 for State & Local.

# Under reporting the project 340 amount

SE Annual - Project 340	IDEA Claimed - Project 340	Difference
\$59,000	\$77,961	\$18,961

**By under reporting the amount charged to the IDEA grant, the LEA increased their local costs by \$18,961. This can result in the LEA meeting MOE compliance based on incorrect numbers.**



Maintenance of Effort for Compliance is met				
Comparison Difference	State & Local	Local Only	State & Local Student per Capita	Local Only Student per Capita
	\$6,654.95	\$12,000.00	\$750.00	\$500.00
	Met	Met	Met	Met

**In this example, the LEA (upon initial review) passed all four comparison tests, but the margin for passing was very small**

Maintenance of Effort for Compliance is failing by \$6,654.95				
Comparison Difference	State & Local	Local Only	State & Local Student per Capita	Local Only Student per Capita
	(\$12,603.05)	(\$6,961.00)	(\$2,225.00)	(\$1,125.00)
	Failed	Failed	Failed	Failed

When the amounts are corrected in the annual report, and the project 340 costs are increased from \$59,000 to \$77,961, the results displayed are much different. In this case, the LEA failed all four tests when project 340 was correctly recorded in the annual report. The LEA will need to identify allowed exceptions for why local special education costs were lowered between the comparison years.

# Reconciliation Reasons Uncovered

- ❖ IDEA claims that was prepared were actually never submitted or submitted but never authorized
- ❖ Expenditures claimed under CEIS or Title I Schoolwide were recorded in Fund 27 rather than Fund 10.
- ❖ More expenditures were budgeted on the LEA's ledger for project 340 than IDEA funds available (or claimed) at the end of the year.
  - Instead of reclassifying these expenditures to project 019, the LEA keeps project 340 as the tag (often times because the costs are not eligible for state special education categorical aid, so the belief is that it does not impact funding).

# Reconciliation Reasons Uncovered

- ❖ The LEA made a mistake on an IDEA claim and claimed more than was planned.
- ❖ The LEA originally had amounts earmarked for project 011 or 019 and moved them to the IDEA grant, but did not update the ledger accordingly.
- ❖ The LEA did not record indirect cost recovery correctly.
- ❖ Correcting the differences between the two systems may include:
  - Submitting or Authorizing IDEA claims for the prior fiscal year (even past September 30)
  - Correcting the 1505 Annual and SE Annual reports
  - Returning IDEA funds (if an over claim is determined) and submitting a revised final claim

# 1505 Reconciliation FY 2019-2020

- ❖ Project 340 expenditures have to match
- ❖ Beginning in July, August and September LEAs will again receive notices, but this time, if it isn't fixed in a timely manner, state aid payment may be held (depending on severity of issue and the LEA's response – or lack of response – to the situation).

# Impact on MOE Results – Transition Aid

- ❖ State grants / aid payments that are recorded in Fund 27
- ❖ Transition Readiness Grant (actually a grant) – expenditures are coded to project 451 and revenue received under the grant pays for those expenditures. There is no impact on MOE (\$100 in new expenditures, \$100 in revenue received).
- ❖ Transition Incentive Grant (not a grant, but a state aid payment) – aid payment distributed in June of the fiscal year based on results of the post-school outcomes survey. This revenue is booked in Fund 27 but is not tied to any particular expenditure. The revenue will impact the Local Only test (the fund 10 to fund 27 transfer) but not the State and Local test. More info: <http://bit.ly/transition-aid-moe>

# Impact on MOE Results – State Aid

If there is an increase in state special education categorical aid (a good thing!) it would only impact the Local Only test (like the Transition aid). It does not impact Test #1 – State & Local.

	Categorical Aid @ 28% reimbursement	Categorical Aid @ 60% reimbursement
Local Only Costs (fund 10 to 27 transfer amount)	\$108,000	\$60,000
State & Local Costs (project 011 & 019 expenditures)	\$150,000	\$150,000

In this chart, the Local Only amounts are different because they reflect the local costs not covered by any other funding sources. The state and local costs are the same because they represent the total amount of expenditures not covered by a federal grant. An increase in state categorical aid would not impact the amount of expenditures an LEA has in Fund 27. An LEA only has to pass one of the four MOE comparison tests to meet compliance. So, if project 011 and 019 expenditures do not decrease between comparison fiscal years, then there is no non-compliance.

# Impact on MOE Results – Open Enrollment

## Open enrollment transfer amount for pupils with disabilities

- ❖ Starting in the 2019-20 school year, for the first year in which a pupil with disabilities is open enrolled, the open enrollment (OE) payment would be the OE basic aid amount for pupils with disabilities (the per pupil payment amount under the indexing method).
- ❖ For pupils with disabilities who are open enrolled for their second or subsequent year, the open enrollment payment would be either the OE basic aid amount for pupils with disabilities (the per pupil payment amount under the indexing method) or the actual costs to the nonresident district of providing a free and appropriate education (FAPE) to the pupil in the previous school year, up to \$30,000. [Wis. Stat. § 118.51(12)(a)].



# Impact on MOE Results – Open Enrollment

## Open enrollment transfer amount for pupils with disabilities

- ❖ A financial statement is submitted by the nonresident school district and is based on the prior year costs. Revenue is received in the upcoming fiscal year (so there is no correlation between real-time expenditures and revenue received as there was under the old open enrollment law).

## MOE Impact on Resident District

The aid transfer amount is coded to fund 27, function 437000, object 382, project 019, which is an expenditure that is used in the state and local comparison calculation. This will increase an LEA's local costs. If the student returns to the resident district, moves out of the attending district, or graduates / ages out, the cost of the aid transfer amount from the prior year would be an exception under "Student with an Especially Costly Program."

# Impact on MOE Results – Open Enrollment

## MOE Impact on Attending District

The aid transfer revenue is coded to fund 27, source 347, which is a revenue that is used in the state and local and local only MOE comparison calculations. This will decrease an LEA's local costs. If there are no offsetting expenditures to account for the revenue received under this program, the LEA may fail all four MOE compliance comparison tests.

There is no exception under the law that covers the LEA's additional amount of revenue received (it would be considered cost savings).

# Impact on MOE Results – Open Enrollment

## MOE Impact on Attending District

LEA's that choose to file for the transfer amount file a financial statement should ensure that the revenue is accounted for when reporting on the 1504 SE Budget Report.

LEA's should utilize the MOE Scenario Calculator located within the IDEA MOE Eligibility report (housed within WISEgrants) to determine the SPED actual costs aid revenue impact on MOE results prior to the deadline date for withdrawal (October 1).

# Ways You Can & Cannot Control Fund 27 Costs

## Cannot

Put special education costs in Fund 10.

Code benefits for special education staff in Fund 10.

Shift a position back and forth from Fund 27 to Fund 10 (like an administrative assistant) to control costs.

# Ways You Can & Cannot Control Fund 27 Costs

## Can

Grant

Exception

Decrease